The government-wide financial statements identify functions of UFSA that are principally supported by taxes and intergovernmental revenues, as *governmental activities.* Revenues designed to recover all or a significant portion of the activity costs are identified as *business-type activities*. UFSA currently does not have any business-type activities.

The Local Building Authority of Unified Fire Service Area (LBA) is chartered under Utah law as a separate governmental entity. However, the government-wide financial statements include the financial statements of this entity since UFSA's Board is the appointed board for the LBA and it is financially accountable to UFSA.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. UFSA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of UFSA's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* in the fund financial statements with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

UFSA maintains one major governmental fund, the General fund, and the LBA maintains two major governmental funds, the Capital Projects fund and the Debt Service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information: UFSA adopts an annual appropriated budget for its funds. A budgetary comparison statement (page 24) has been provided for the General Fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF UFSA AS A WHOLE

Current and other assets decreased approximately 29% from 2012 due to the usage of cash for land acquisition, construction, and debt service payments. Capital assets, net of depreciation, increased 13% as a result of three station acquisitions totaling nearly $4 million and a property transfer from Riverton City with a net aggregate value of $1,691,719. Deferred outflows of resources (deposits) decreased 92% in 2013 as a result of the earnest money deposit held at December 31, 2012, for land in Midvale City being applied to basis in property acquisition.

Current liabilities decreased approximately 39% from the previous year primarily due to construction completed during 2013. Long-term liabilities decreased three percent as a result of bond principal payments of $880,000 during the year.

As noted earlier, net position may serve over time as a useful measurement to assist with understanding the financial position of UFSA. As of December 31, 2013, assets and deferred outflows of resources exceeded liabilities by $23,322,571, an increase of $1,131,589 (5%) from the previous year. The increase in net position during the year is primarily due to the property transferred to UFSA by Riverton City and tax and impact fee revenues exceeding budget. The remaining increase was due to the efficient management of UFSA's budgeted funds.

UFSA's net position invested in capital assets, net of related debt, totaled $12,507,226, or 54% of total net position. Although UFSA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents resources that are subject to external restrictions on how they may be used. Bond proceeds are restricted for land acquisition and for construction of fire stations within the UFSA. Unrestricted net position may be used to meet general, ongoing financial obligations without constraints established by debt covenants or other legal requirements.

Summary of Statement of Net Position
As of December 31,

	2013	2012	% Change
Assets			
Current and other assets	$ 11,410,026	$ 16,166,767	-29%
Long-term note receivable	2,448,114	2,500,000	-2%
Capital assets, net of accumulated depreciation	40,946,218	36,076,776	13%
Total Assets	54,804,358	54,743,543	0%
Deferred Outflows of Resources			
Deposits	$ 8,993	$ 114,926	-92%
Total Assets and Deferred Outflows of Resources	$ 54,813,351	$ 54,858,469	0%
Liabilities			
Current and other liabilities	460,780	757,487	-39%
Long-term liabilities	31,030,000	31,910,000	-3%
Total Liabilities	$ 31,490,780	$ 32,667,487	-4%
Net Position			
Invested in capital assets, net of related debt	12,507,226	10,039,581	25%
Restricted	2,591,008	2,645,247	-2%
Unrestricted	8,224,337	9,506,154	-13%
Total Net Position	$ 23,322,571	$ 22,190,982	5%

Taxes and motor vehicle fees, which were $35,388,165 for 2013, increased five percent from the previous year. Impact fees increased more than 100% from 2012 to 2013 due to increased development and the annexation of Eagle Mountain. General government expenses of approximately $35 million in 2013 represented 96% of total expenses from governmental activities. Interest on long-term debt decreased 5% in 2013 as a result of an offsetting short-term financing premium.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2013

Summary of Statement of Activities
For the Fiscal Year Ended December 31,

	2013	2012	% Change
Program revenues			
Capital grants and contributions	$ 1,025,880	$ 510,154	101%
General revenues			
Property taxes and motor vehicle fees	35,388,165	33,673,409	5%
Unrestricted investment earnings	122,342	164,554	-26%
Loss on disposal of assets	-	(156,835)	-100%
Miscellaneous revenue	225	-	100%
Total revenues	36,536,612	34,191,282	7%
Program expenses			
General government	35,049,494	31,449,289	11%
Interest on long-term debt	1,648,572	1,741,141	-5%
Total expenses	36,698,066	33,190,430	11%
Change in net position	(161,454)	1,000,852	-116%
Net position - beginning	22,190,982	21,190,130	5%
Restatements	1,293,043	-	
Net position - ending	$ 23,322,571	$ 22,190,982	5%

FINANCIAL ANALYSIS OF UFSA'S FUNDS

Governmental Funds: As of December 31, 2013, the aggregate fund balance of UFSA's governmental funds was $11,358,901. Approximately 76% of the aggregate fund balance, or $8,642,811, was unassigned and was available for appropriation by the UFSA Board. The remainder of the fund balance was restricted (23%) or assigned (1%) and was not available for new spending because it had already been committed for spending.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the original and final budget can be summarized as follows:

- Decrease in property taxes totaling $1,251,000 due to assessed values lower than estimates
- Delays in property acquisition resulted in lower capital outlay than anticipated
- Increases in operating costs to cover increase in member fees paid to UFA

Significant variations in actual results over final budget in the general fund can be summarized as follows:

- New growth within UFSA resulted in tax and impact fee revenues higher than anticipated
- Delays in property acquisition resulted in lower capital outlay than anticipated
- Efficient management of funds resulted in both operations and general and administrative expenditures below budget

For detailed budgetary comparison schedules, see the Required Supplementary Information section, beginning on page 24.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: UFSA's investment in capital assets at December 31, 2013, was $40,946,218. During the year, fire station #124 was put into service in Riverton City. In addition to the station purchased in Little Cottonwood Canyon for $945,369, UFSA purchased two stations from Midvale City for nearly $3 million during 2013. UFSA recognized the transfer of two fire stations (with net aggregate value of $1,691,719) from Riverton City in its beginning balances for 2013.

Capital Assets, Net of Depreciation
As of December 31,

	2013	2012	% Change
Construction in progress	$ 4,707	$ 3,274,720	-100%
Land	8,875,281	7,239,697	23%
Building and improvements	31,141,678	26,439,259	18%
Land improvements	712,760	602,176	18%
Machinery and equipment	211,792	212,643	0%
	$ 40,946,218	$ 37,768,495	8%

Additional information on UFSA's capital assets is available in the notes to the financial statements.

Long-term Debt: UFSA issued Lease Revenue bonds in the amount of $32,950,000 in 2008 for the acquisition of land for, and construction of, fire stations in Millcreek Township, Herriman City, Magna, and Riverton City. UFSA's bonds are rated Aa3 by Moody's and AA- by Fitch. There were no long-term debt issuances in 2013. Payments on the 2008 bonds in 2013 totaled $2,496,970 ($880,000 principal and $1,616,970 interest). Additional information about UFSA's long-term liabilities is available in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Unified Fire Service Area saw continued growth in 2013. In June of 2013, new impact fees were implemented for the City of Eagle Mountain.

New developments continue to rise in Eagle Mountain, Herriman, Midvale and Riverton cities.

Riverton Station 124 was opened in January, 2013. UFSA purchased Snowbird station 113 and land for future replacement station 125 in Midvale.

The budget for 2014 will reflect the purchase of land for a future Taylorsville station and land for a future replacement Olympus Cove station.

On January 1, 2014, Taylorsville City was annexed into the Service Area. The current impact fee study will be updated to incorporate this annexation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of UFSA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, 3380 South 900 West, Salt Lake City, UT, 84119.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
GOVERNMENTAL FUND FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
December 31, 2013

ASSETS		
Cash and cash equivalents	$	7,772,084
Cash and cash equivalents held by fiscal agent		2,597,717
Receivables		1,040,225
Long term related party note receivable		2,448,114
Capital assets, net of accumulated depreciation		40,946,218
Total Assets		54,804,358
DEFERRED OUTFLOWS OF RESOURCES		
Deposits		8,993
Total Assets and Deferred Outflows of Resources	$	54,813,351
LIABILITIES		
Accounts payable		53,426
Accrued liabilities		407,354
Lease revenue bonds payable		
Due within one year		915,000
Due in more than one year		30,115,000
Total Liabilities		31,490,780
NET POSITION		
Net Investment in Capital Assets		12,507,226
Restricted for capital projects		628
Restricted for debt service		2,590,380
Unrestricted		8,224,337
Total Net Position	$	23,322,571

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
Year ended December 31, 2013

Function/Programs	Expenses	PROGRAM REVENUES Capital Grants and Contributions	NET EXPENSE AND NET POSITION
GOVERNMENTAL ACTIVITIES:			
General government	$ 35,049,494	$ 1,025,880	$ (34,023,614)
Interest on long-term debt	1,648,572	-	(1,648,572)
Total	$ 36,698,066	$ 1,025,880	(35,672,186)
GENERAL REVENUES			
Real property taxes			33,506,609
Motor vehicle fees			1,881,556
Unrestricted investment earnings			122,342
Miscellaneous income			225
Total general revenues			35,510,732
Change in net position			(161,454)
Net position - beginning			22,190,982
Restatements			1,293,043
Net position - ending			$ 23,322,571

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	MAJOR FUNDS			
	General Fund	Debt Service Fund	Nonmajor Governmental Fund	Total Governmenta Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 7,772,084	$ -	$ -	$ 7,772,084
Cash and cash equivalents held by fiscal agent	-	2,597,089	628	2,597,717
Receivables:				
Taxes receivable	1,024,553	-	-	1,024,553
Due from other governments	-	-	-	-
Due from related parties	15,672	-	-	15,672
Net receivables	1,040,225	-	-	1,040,225
Total Assets	8,812,309	2,597,089	628	11,410,026
DEFERRED OUTFLOWS OF RESOURCES				
Deposits	8,993	-	-	8,993
Total Assets and Deferred Outflows	$ 8,821,302	$ 2,597,089	$ 628	$ 11,419,019
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	$ 53,426	$ -	$ -	$ 53,426
Accrued liabilities	6,692	-	-	6,692
Total Liabilities	60,118	-	-	60,118
FUND BALANCES				
Spendable:				
Restricted for:				
Capital outlay	-	-	628	628
Debt service	-	2,590,380	-	2,590,380
Assigned for:				
Capital outlay	118,373	-	-	118,373
Debt service	-	6,709	-	6,709
Unassigned	8,642,811	-	-	8,642,811
Total Fund Balances	8,761,184	2,597,089	628	11,358,901
Total Liabilities and Fund Balances	$ 8,821,302	$ 2,597,089	$ 628	$ 11,419,019

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2013

Total Fund Balances - Governmental Funds		$ 11,358,901
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets in governmental activities are not financial resources and therefore are not reported in the funds.		40,946,218
Related party note receivable		2,448,114
Long-term liabilities, including lease revenue bonds, are not due and payable in the current period and, therefore, are not reported in the funds .		
Accrued interest on long term debt	$ (400,662)	
Lease revenue bonds	(31,030,000)	
		(31,430,662)
Net Position of Governmental Activities		$ 23,322,571

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2013

	MAJOR FUNDS			
	General Fund	Debt Service Fund	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES				
Real property taxes	$ 33,506,609	$ -	$ -	$ 33,506,609
Motor vehicle fees	1,881,556	-	-	1,881,556
Impact fees	1,025,880	-	-	1,025,880
Lease revenue	-	2,475,363	-	2,475,363
Investment earnings	107,505	14,677	160	122,342
Other income	225	-	-	225
Total Revenues	36,521,775	2,490,040	160	39,011,975
EXPENDITURES				
Current				
Salaries and benefits	46,081	-	-	46,081
Operations	35,882,815	-	-	35,882,815
General and administrative	633,529	-	-	633,529
Capital outlay	4,082,428	-	34,227	4,116,655
Debt service				
Principal	-	880,000	-	880,000
Interest	51,406	1,616,970	-	1,668,376
Debt issuance cost and fees	23,500	-	-	23,500
Total Expenditures	40,719,759	2,496,970	34,227	43,250,956
Deficiency of Revenues Under Expenditures	(4,197,984)	(6,930)	(34,067)	(4,238,981)
OTHER FINANCING SOURCES (USES)				
Principal payments received from related party	51,886	-	-	51,886
Transfers in	-	49,866	-	49,866
Transfers out	-	-	(49,866)	(49,866)
Total other financing sources	51,886	49,866	(49,866)	51,886
Net change in fund balances	(4,146,098)	42,936	(83,933)	(4,187,095)
Fund balances at beginning of year	12,907,282	2,554,153	84,561	15,545,996
Fund balances at end of year	$ 8,761,184	$ 2,597,089	$ 628	$ 11,358,901

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds		$ (4,187,095)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:		
Depreciation expense	$ (938,932)	
Capital outlay	4,116,655	
		3,177,723
Principal payments received on long-term related party note receivable.		(51,886)
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of long-term debt		880,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the following:		
Accrued interest on long-term debt		19,804
Change in Net Position of Governmental Activities		$ (161,454)

The accompanying notes are an integral part of the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Salt Lake Valley Fire Service Area (SLVFSA) was created effective in 2004 to manage and provide fire protection services. The fire service area was created to provide fire protection and emergency medical services to the unincorporated areas of Salt Lake County. Effective January 1, 2008, SLVFSA assessed and recorded its own property taxes apart from Salt Lake County. Also beginning January 1, 2008, Unified Fire Authority (UFA) assumed management and administrative support for SLVFSA. Prior to these two changes, Salt Lake County reported SLVFSA as a blended component unit of its primary government. Midvale City and Eagle Mountain City joined SLVFSA to provide fire protection and emergency medical services to its citizens in July 2011 and January 2013, respectively. In March 2013, the Board approved changing SLVFSA's entity name to Unified Fire Service Area. UFSA is a separate legal entity, with a seven member board of elected officials, three of which represent unincorporated areas of Salt Lake County and four of which represent the cities of Eagle Mountain, Herriman, Midvale, and Riverton.

Blended Component Unit

The Local Building Authority of the Salt Lake Valley Fire Service Area (LBA) was created in 2008. The LBA is governed by the Board of UFSA. Although it is legally separate from UFSA, it is reported as if it were part of the primary government. The LBA was created solely for the benefit of UFSA with a purpose to acquire, improve, construct, and finance capital facilities within the fire service area. It should be noted that the LBA currently has one capital projects fund and one debt service fund. In March 2013, the Board approved changing the LBA's entity name to the Local Building Authority of the Unified Fire Service Area (LBA).

Government-Wide and Fund Financial Statements

Government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of UFSA. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues.

Fund financial statements present each major individual fund as a separate column. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. UFSA segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Property taxes are recognized as revenues in the year for which they are levied.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Governmental funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, and liabilities is reported as fund balance. UFSA has presented the following major governmental funds:

- *General Fund* – the general fund is the main operating fund of UFSA, used for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

- *Debt Service Fund* – the LBA's debt service fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest, and related costs.

The LBA's nonmajor governmental fund is a capital projects fund used to account for funds received and expended for the acquisition and construction of capital equipment and facilities throughout UFSA's jurisdiction.

Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by UFSA as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. If purchased, such assets are recorded at historical cost. Assets are recorded at fair value at the date of gift, if donated. Assets transferred from other governmental entities are recorded at the net book value removed from the conveying government's books.

Major additions are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense. No depreciation is recognized on construction in progress until the asset is placed in service. UFSA does not possess any infrastructure.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 – 40 years
Land improvements	2 – 31 years
Machinery and equipment	5 – 15 years

Restricted Assets

Certain proceeds of UFSA's 2008 lease revenue bonds, as well as certain resources set aside for their repayment, are maintained in separate bank accounts and are classified as restricted assets because their use is limited by bond covenants. The "construction fund" account with a balance of $628 as of December 31, 2013, is used to report those proceeds of revenue bond issuances that are restricted for use in construction and land purchases. The "reserve fund" accounts, with a balance of $2,597,089 at December 31, 2013, are used to report resources set aside for the payment of principal and interest on the lease revenue bonds.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, UFSA generally uses restricted resources first, then unrestricted resources.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which UFSA receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which UFSA must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to UFSA on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Net Position/Fund Balances

The difference between assets and liabilities is reported as net position on the government-wide financial statements and fund balance on the governmental fund statements. UFSA's net position is classified as follows:

- *Invested in capital assets, net of related debt* – This component of net position consists of UFSA's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted for capital projects* – This component of net position consists of net position related to funds held in escrow that are restricted for the completion of capital projects.
- *Restricted for debt service* – This component of net position consists of net position related to funds held in escrow that are restricted for the payment of principal and interest on lease revenue bonds.
- *Unrestricted* – This component of net position consists of items of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the governmental fund statements, fund balances are classified as nonspendable, restricted, committeed, assigned, or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the UFSA Board, such as an appropriation. Assigned fund balance is constrained by the Board's intent to be used for specific purposes, by directive of the Board. When an expenditure is incurred for purposes which restricted, committed, assigned and unassigned resources are available, UFSA generally uses restricted resources first, followed by committed and assigned resources before unassigned resources are used.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

UFSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which it carries commercial insurance. There were no significant reductions in coverage from prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage.

Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. UFSA adopted this statement in 2013. See Note 9 for more information.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments consisted of the following at December 31, 2013:

Cash and cash equivalents:	
Cash - net of outstanding checks	$ 293,884
Public Treasurer's Investment Fund (PTIF)	7,478,200
Total unrestricted cash and cash equivalents	7,772,084
Cash and cash equivalents held by fiscal agent (invested in PTIF)	2,597,717
Total cash, cash equivalents, and investments	$ 10,369,801

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Utah Money Management Act that relate to the deposit and investment of public funds.

UFSA follows the requirements of the Utah Money Management Act in handling its depository and investment transactions. The Act requires depositing of UFSA's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the local government's deposits may not be recovered. UFSA's deposits are insured up to $250,000 per institution by the Federal Depository Insurance Corporation (FDIC). Deposits above $250,000 are exposed to credit risk. As of December 31, 2013, UFSA's depository bank balance was $294,775, of which $250,000 is insured and the remaining $44,775 is uninsured and uncollateralized. Utah State Law does not require deposits to be insured or collateralized. UFSA does not have a formal deposit policy for custodial credit risk.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Money Management Act defines the types of securities authorized as appropriate investments for UFSA's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Investments

These statutes authorize UFSA to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF and is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The participant's balance is their investment deposited in the PTIF plus their share of income, gains, and losses net of administration fees which is allocated to each participant on the ratio of each participant's share to the total funds in the PTIF. The participant's monthly investment amount is based upon their average daily balance.

At June 30 and December 31 each year, the fair value of the investments is determined to enable participants (public entities having those year ends) to adjust their investments in the pool. As of December 31, 2013, UFSA had $7,478,200 invested in PTIF. Additionally, $2,597,717 held by a fiscal agent was invested in PTIF at December 31, 2013. The entire balance had a maturity of less than one year. The PTIF pool has not been rated. The PTIF is reported as a fiduciary fund by the State of Utah in its Comprehensive Annual Financial Report. A copy of the report may be obtained online at http://www.utah.gov/treasurer/investor-cafr.html.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UFSA manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. UFSA's investment policy limits the term of investments to a maximum maturity that shall not exceed five years in order to manage its exposure to fair value losses arising from increasing interest rates. The investment policy also specifies that UFSA's investment portfolio will remain sufficiently liquid to enable UFSA to meet all operating requirements which might be reasonably anticipated.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, UFSA will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. UFSA's policy for limiting the credit risk of investments is to comply with the Money Management Act, as previously discussed. All of UFSA's investments at December 31, 2013 were with the PTIF and therefore are unrated and are not categorized as to custodial credit risk. *Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. UFSA's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - PROPERTY TAXES

Property taxes attach an enforceable lien on property as of January 1 in the year in which due and are assessed in July through billing to the property owner. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by UFSA when they are collected. Property taxes are billed and collected by Salt Lake County and Utah County on behalf of UFSA and remitted monthly. Property taxes received by UFSA within 60 days after year end are recorded as revenue as of year-end. The 2013 Certified Tax Rate for UFSA is .002192.

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2013 are as follows:

	January 1, 2013	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2013
Capital assets not being depreciated:				
Construction in progress	$ 3,274,720	$ 74,826	$ (3,344,839)	$ 4,707
Land	7,239,697	1,635,584	-	8,875,281
Total capital assets not being depreciated	10,514,417	1,710,410	(3,344,839)	8,879,988
Capital assets being depreciated:				
Building and improvements	28,690,290	5,578,831	-	34,269,121
Land improvements	686,666	153,910	-	840,576
Machinery and equipment	245,574	18,343	-	263,917
Total capital assets being depreciated	29,622,530	5,751,084	-	35,373,614
Less accumulated depreciation for:				
Building and improvements	(2,251,031)	(876,412)	-	(3,127,443)
Land improvements	(84,490)	(43,326)	-	(127,816)
Machinery and equipment	(32,931)	(19,194)	-	(52,125)
Total accumulated depreciation	(2,368,452)	(938,932)	-	(3,307,384)
Total capital assets being depreciated, net	27,254,078	4,812,152	-	32,066,230
Total capital assets, net	$ 37,768,495	$ 6,522,562	$ (3,344,839)	$ 40,946,218

Depreciation charged for governmental activities for the year ended December 31, 2013, was $938,692.

NOTE 5 - SHORT-TERM DEBT

On May 8, 2013, SLFVSA issued Tax and Revenue Anticipation Notes, Series 2013, in the amount of $13 million at a 1.5% interest rate for a short-term basis until tax revenue was received. Issuance costs related to the TRAN were $23,500. Principal and interest totaling $13,120,250 were paid on December 18, 2013.

NOTE 6 - LONG-TERM DEBT

Lease revenue bonds are issued by the LBA of Unified Fire Service Area, a blended component unit of UFSA. These bonds are not considered general obligation bonds of UFSA, but are special obligations payable from the lease revenues derived from the assets acquired or constructed with bond proceeds. The following is a summary of transactions affecting lease revenue bonds for the year ended December 31, 2013:

	Beginning	Increases	(Decreases)	Ending
Local Building Authority Lease Revenue Bonds, series 2008 (issued August 14, 2008)	$ 31,910,000	$ -	$ (880,000)	$ 31,030,000

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Bond covenants require a reserve fund in the amount of $2,590,380 to be used only for the payment of principal and interest on the lease revenue bonds. UFSA maintains and classifies these reserve funds in the respective funds' restricted cash accounts.

The following is a schedule of future maturities on lease revenue bonds in the LBA as of December 31, 2013:

Maturity Date	Total	Principal	Interest	Interest Rates
2014	2,493,826	915,000	1,578,826	4.25%
2015	2,492,895	955,000	1,537,895	4.50%
2016	2,491,407	1,000,000	1,491,407	5.00%
2017	2,497,258	1,060,000	1,437,258	5.50%
2018	2,492,445	1,115,000	1,377,445	5.50%
2019	2,490,939	1,175,000	1,315,939	5.25%
2020	2,502,282	1,250,000	1,252,282	5.25%
2021	2,485,345	1,300,000	1,185,345	5.25%
2022	2,491,845	1,375,000	1,116,845	5.00%
2023	2,496,220	1,450,000	1,046,220	5.00%
2024	2,496,845	1,525,000	971,845	5.00%
2025	2,503,470	1,610,000	893,470	5.00%
2026	2,500,970	1,690,000	810,970	5.00%
2027	2,482,960	1,760,000	722,960	5.20%
2028	2,479,100	1,850,000	629,100	5.20%
2029	2,474,944	1,945,000	529,944	5.25%
2030	2,479,944	2,055,000	424,944	5.25%
2031	2,522,435	2,210,000	312,435	5.30%
2032	2,522,125	2,330,000	192,125	5.30%
2033	2,525,190	2,460,000	65,190	5.30%
	$ 49,922,445	$ 31,030,000	$ 18,892,445	

The bond sinking fund requirements to maturity for the long-term debt, as of December 31, 2013, are as follows:

Maturity	Principal
2025	$ 1,610,000
2026	1,690,000
2027	1,760,000
2028	1,850,000
2029	1,945,000
2030	2,055,000
2031	2,210,000
2032	2,330,000
2033	2,460,000

NOTE 7 - INTERFUND ACTIVITY

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements. Funds were transferred in 2013 from the Capital Projects fund to the Debt Service fund to reflect transfers to fund debt service payments and extinguish an interfund payable totaling $37,774 reported as of December 31, 2012.

Debt service on the Local Building Authority Lease Revenue Bonds, series 2008, is payable from lease payments by UFSA to the LBA for the use of fire stations. During 2013, lease payments of $2,475,363 were paid by the General fund to the LBA's Debt Service fund. Future lease payments will be equal to the required debt service payments. Assets recorded under this operating lease are land, buildings, and equipment having original cost of $24,528,498, with $1,368,192 of accumulated depreciation.

NOTE 8 - RELATED PARTY TRANSACTIONS

UFSA has been a member of UFA since its inception in July 2004. Beginning in January 2008, UFA assumed management of UFSA from Salt Lake County. UFSA paid member fees and interest of $33,403,863 and $27,093, respectively, to UFA during 2013. UFA provides fire protection service and staffing, equipment, and station maintenance for the fees it receives from UFSA. UFSA paid management fees to UFA for its services totaling $400,000 for the year ended December 31, 2013.

In February 2012, UFSA entered into an interlocal agreement with UFA to finance the purchase of a warehouse in West Jordan, Utah. In March 2012, UFSA loaned $2.5 million to UFA for purchase of the building. The agreement requires UFA to pay 228 monthly payments of no more than $15,672 beginning 30 days following the termination of its current warehouse lease. Prior to the commencement of payments, UFA paid interest monthly at the Utah PTIF rate. Upon commencement of payments, the agreement bears 4% interest. UFA paid $51,886 in principal and $63,684 in interest to UFSA, including $15,672 ($7,487 principal and $8,185 interest) accrued as of December 31, 2013. The following is a schedule by years of future minimum payments required under the agreement as of December 31, 2013:

2014	$ 91,808
2015	95,548
2016	99,441
2017	103,492
2018	107,708
2019-2023	608,052
2024-2028	742,430
2029-2032	599,635
	$ 2,448,114

In February 2013, UFSA purchased property from Midvale City, including an existing fire station and multiple parcels of land on which to build a future fire station. The total purchase price for the properties was $2,967,743.

NOTE 9 - SUBSEQUENT EVENTS

On January 1, 2014, Taylorsville City annexed into UFSA.

In April 2014, UFSA purchased land to build a future station replacing the existing Station 117 in Taylorsville.

UFSA issued a Tax and Revenue Anticipation Note of $21 million in April 2014.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Commitments for major construction projects totaled $113,701 at December 31, 2013.

As of December 31, 2013, UFSA did not have any pending litigation or potential nondisclosed liabilities.

NOTE 11 - RESTATEMENTS

Change in Accounting Principle – UFSA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required costs of issuance to be reported as period costs. Previously, costs of issuance were reported as assets and amortized over the life of the debt. UFSA restated the prior period beginning balance for a change in accounting principle for cost of issuance at the entity-wide level for governmental activities as follows:

	Previously Reported	**Adjustment**	**Restated**
Governmental activities	$ 22,190,982	$ (398,676)	$ 21,792,306

Prior Period Adjustment – Riverton City transferred ownership for two stations to UFSA in June 2012, however, the transfer was not reported in UFSA's financial statements. theAn adjustment resulting from a restatement of beginning net position of the General fund is as follows:

	Net Position	**Adjustment**	**Restated**
Governmental activities	$ 21,792,306	$ 1,691,719	$ 23,484,025

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES				
Real property taxes	$ 33,750,000	$ 32,499,000	$ 33,506,609	$ 1,007,609
Motor vehicle fees	1,800,000	1,800,000	1,881,556	81,556
Impact fees	587,000	587,000	1,025,880	438,880
Interest income	75,000	75,000	107,505	32,505
Other income	-	-	225	225
Total Revenues	36,212,000	34,961,000	36,521,775	1,560,775
EXPENDITURES				
Current				
Salaries and benefits	40,000	47,000	46,081	919
Operations	35,110,000	35,889,563	35,882,815	6,748
General and administrative	622,000	674,000	633,529	40,471
Capital outlay	8,800,000	5,678,137	4,082,428	1,595,709
Debt service				
Interest	120,000	148,300	51,406	96,894
Debt issuance costs and fees	20,000	24,000	23,500	500
Total Expenditures	44,712,000	42,461,000	40,719,759	1,741,241
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,500,000)	(7,500,000)	(4,197,984)	3,302,016
OTHER FINANCING SOURCES				
Loan payments from related party	-	-	51,886	51,886
Total other financing sources	-	-	51,886	51,886
Net change in fund balance	(8,500,000)	(7,500,000)	(4,146,098)	$ 3,353,902
Fund balance at beginning of year	12,907,282	12,907,282	12,907,282	
Fund balance at end of year	$ 4,407,282	$ 5,407,282	$ 8,761,184	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Unified Fire Service Area (UFSA) adopts an "appropriated budget" for all of its funds. UFSA is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the first regularly scheduled Board meeting in November, UFSA prepares a tentative budget for the next succeeding fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.

- A meeting of the Board of Trustees is then called for the purpose of adopting the tentative budget after seven days public notice of the meeting has been given.

- By December 22, the proposed tax rate and budget is adopted by resolution. If there is no increase in the certified tax rate, a final budget is adopted by December 22. If UFSA sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until public hearings to adopt proposed increases are held. Until the hearings are held and a final budget and tax rate are adopted, UFSA may expend monies based on: (1) its tentative budget after adoption, or (2) its prior year's adopted final budget as amended, which must be re-adopted by resolution at a regular meeting of the governing body.

- Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, as reflected in the official minutes of the Board, and are not made after fiscal year end.

- Each budget is prepared and controlled by the budget officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees.

- The budgets for all funds must be filed with the Utah State Auditor within 30 days of adoption.

Budgets are prepared on a modified accrual basis of accounting according to generally accepted accounting principles for governmental funds. Encumbrance accounting is used by UFSA.

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
SUPPLEMENTAL REPORTS

BUDGETARY COMPARISON SCHEDULE
LOCAL BUILDING AUTHORITY – CAPITAL PROJECTS FUND
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
REVENUES				
Interest income	$ -	$ -	$ 160	$ 160
Total Revenues	-	-	160	160
EXPENDITURES				
Capital outlay	-	40,000	34,227	5,773
Total Expenditures	-	40,000	34,227	5,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(40,000)	(34,067)	5,933
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(50,000)	(49,866)	134
Net change in fund balance	-	(90,000)	(83,933)	$ 6,067
Fund balance at beginning of year	84,561	84,561	84,561	
Fund balance at end of year	$ 84,561	$ (5,439)	$ 628	

BUDGETARY COMPARISON SCHEDULE
LOCAL BUILDING AUTHORITY – DEBT SERVICE FUND
Year ended December 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES				
Rent income	$ 2,500,000	$ 2,500,000	$ 2,475,363	$ (24,637)
Interest income	-	-	14,677	14,677
Total Revenues	2,500,000	2,500,000	2,490,040	(9,960)
EXPENDITURES				
Debt service				
Principal	2,500,000	880,000	880,000	-
Interest	-	1,670,000	1,616,970	53,030
Total Expenditures	2,500,000	2,550,000	2,496,970	53,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(50,000)	(6,930)	43,070
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,000	49,866	(134)
Total other financing sources (uses)	-	50,000	49,866	(134)
Net change in fund balance	-	-	42,936	$ 42,936
Fund balance at beginning of year	2,554,153	2,554,153	2,554,153	
Fund balance at end of year	$ 2,554,153	$ 2,554,153	$ 2,597,089	